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NSC BRIEFING

1 July 1954

INDOCHINA

I. Major military news: severe French reverse southern Annam.

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A. [] French withdrawals An Khe, Song Cau as "Operation Atlante" in reverse.

1. "Atlante" Navarre brainchild clear enemy from Annam coastal strip. Started well, but operation bogged down in face enemy pressure.

FORCE OF CA. 2900, INCLUDING 2 ELITE BNS FROM KOREAN SERVICE,

B. French withdrawing from An Khe to Pleiku 25 June when attacked; lost over 1,000 men, entire mobile group HQ, 220 trucks.

C. Enemy pressure southern Annam makes French influence over even small sectors there problematical.

NSA, DIA, ONI, State Dept.
reviews completed

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1. Aside from region adjacent Cochinchina, Pleiku and Ban Me Thuot are now only important French centers plateau areas.
2. Plateau areas important in denying Viet Minh lateral routes to Laos, Cambodia.
3. Also, Bao Dai has long-term dream of economic development for region.
4. Viet Minh build-up may be designed establish base this area for improved bargaining position in possible partition talks, also for later penetration Laos, Cambodia and Cochinchina after truce.

II. In Cambodia, only bright spot of past week, Cambodian army evidenced much improvement.

- A. Two battalions scored successes south of Phnom Penh.
- B. Cambodian units defeated one battalion near Kratie, sent it retreating northward.

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SEIZURE OF SOVIET TANKER

I. At 0700 on 22 June, two Nationalist DE's well south of Formosa intercepted Soviet tanker, TUAPSE, (bound Shanghai from Black Sea: cargo - 12,000 tons Rumanian kerosene). (Danish-built, 9,000 tons; delivered to USSR 1953 in face US protest based Battle Act)) *Said to be flying Danish flag.*

A. When boarded, TUAPSE crew first refused move, then took vessel to southern Formosan port of Kaohsiung.

B. On arrival, Nationalist Navy analyzed cargo samples, stated kerosene was "low-grade." (US analysis such kerosene shows qualities typical of lamp grade; freezing point - minus 10°f.).

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C. Nationalists announced 28 June
cargo unloaded; have indicated
TUAPSE will be released.

D. Vessel was still in Nationalist
hands as of _____,

II.

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D. In mid-afternoon of 24 June, US ambassador Bohlen given note protesting TUAPSE's seizure "by the Naval forces of the US," demanding "immediate" return vessel and cargo, punishment "responsible American personnel."

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IV. Most significant aspect Soviet reaction to date is note's attempt assign US responsibility seizure.

A. Must have known true identity DE's.

B. Studied omission Nationalists could reflect Soviet embarrassment at action by "Chiang Kai-shek remnant clique."

V. Re. possible Soviet actions, likely that USSR will wait to see whether Nationalists release TUAPSE soon.

A. Could take "appropriate measures" at any time by sending naval escort with vessels near Formosa.

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1. Would help restore prestige;
also show readiness guard
Soviet communications with
China.
 2. However, would imply willing-
ness risk incidents possibly
involving US Navy.
 3. Major effort could weaken
defensive naval strength in
area at critical time.
- B. More likely that escort effort, if
made, will be small-scale.
1. However, distance from
Vladivostok requires escorts
be based Chinese ports, where
facilities limited.
 2. Risk incidents would remain.

C. During wait for release TUAPSE, Soviet propaganda condemns seizure as evidence US desire fan conflicts in Far East; calls air surveillance technique for tip-off.

1. On diplomatic level, USSR may request Security Council action, on grounds tanker case indicative US "aggressive intent," threat to peace.
2. If TUAPSE released soon, propaganda line probably will weaken, but continue harp on Nationalist seizure cargo.

VI. On balance, believe due prestige considerations and importance economic commitment provide China oil, USSR will not permit indefinite interference with Pacific traffic. Expect tankers now delayed will soon resume voyages, possibly with escort.

A. USSR calculates this would not cause US counteraction.

B. Further calculates that "freedom of seas" doctrine implicit in action would be regarded favorably by most other maritime nations.